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Managing Director & Principal

July 28, 2011

Dr. George Diehr
Chair, Investment Committee
California Public Employees' Retirement System
400 Q Street
Sacramento, CA 95814

Re: Global Fixed Income Delegations

Dear Dr. Diehr:

You requested Wilshire's opinion with respect to the proposed change to the Global Fixed Income Delegations.

Recommendation

Wilshire recommends that the Investment Committee approve the change to the Global Fixed Income Delegations as presented.

Background

Staff has proposed making a single change to the Delegations for Global Fixed Income – allowing the SIO to implement interest rate hedges on behalf of other asset classes, upon request. Given that the Global Fixed Income team already executes currency transactions and currency hedges on behalf of other asset classes, as requested, we believe that this change is reasonable and should be allowed. Interest rate hedges will decrease the risk to the CalPERS portfolio from undesired or unforeseen interest rate movements, presumably increasing the stability of returns from interest rate sensitive investments.

Please let us know if you have any questions or comments.

Best regards,

